

INKOSI LANGALIBALELE MUNICIPALITY



DRAFT ANNUAL BUDGET 2018/19

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2018 that although the world economy remained troubled, there were signs of improvement in the economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the iNkosi Langalibalele Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2018/19 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
 - addressing issues of financial sustainability, and
 - Facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The final 2018/19 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the final budget is as follows:

Total operating income – R579 588 000

Total Operating expenditure – R534 613 000

Operating Surplus – R44 975 000

Capital Transfers –R50 949 000 (**MIG R36 949 000 and INEP R14 000 000**).

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, INEP, and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of iNkosi Langalibalele thus achieving a better life for all.

HER WORSHIP, THE MAYOR

COUNCILLOR JM MBELE

1.2 Council Resolutions

On 30 March 2018 the Council of Inkosi Langalibalele Local Municipality met in the Council Chambers of Inkosi Langalibalele Municipality to consider the draft annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Inkosi Langalibalele Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The draft annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position as contained in Table 23;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
 - 1.2.4. Asset management as contained in Table 26; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Inkosi Langalibalele Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
 - 2.1. the tariffs for property rates;
 - 2.2. the tariffs for electricity; and
 - 2.3. the tariffs for solid waste services.
3. To give proper effect to the municipality's annual budget, the Council of Inkosi Langalibalele Local Municipality approves:
 - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 3.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No 89 and 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable; and

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/19 MTREF

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand					
Total Revenue (excluding capital transfers and contributions)	528 536	532 253	579 588	618 996	655 212
Total Expenditure	490 230	512 679	534 613	566 090	599 456
Surplus/(Deficit)	38 307	19 574	44 975	52 905	55 756
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	53 276	53 276	50 949	42 661	49 232
Surplus/(Deficit) for the year	91 583	72 850	95 924	95 566	104 988

Total operating revenue equals to R579 million for the 2018/19 financial year, R618 million and R655 million for the outer years. For the two outer years, operational revenue will increase by 6.74 and 6 per cent respectively, equating to a total revenue growth of R39 million over the MTREF when compared to the 2018/19 financial year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R534 million and translates into a budgeted surplus of R44 million. The operating surplus for the two outer years steadily increases to R52 million and then at R55 million.

The capital budget of R50.9 million for 2018/19.

1.4 Operating Revenue Framework

For Inkosi Langalibalele Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source							
Property rates	94,693	94,693	94,693	94,693	100,375	106,398	112,781
Service charges - electricity revenue	239,494	239,494	239,494	239,494	281,936	298,852	316,783
Service charges - refuse revenue	8,815	8,815	8,815	8,815	9,344	9,904	10,498
Rental of facilities and equipment	389	389	389	389	239	253	268
Interest earned - external investments	544	544	544	544	577	611	648
Interest earned - outstanding debtors	1,020	1,020	1,020	1,020	1,018	1,079	1,144
Dividends received	–	–	–	–	–	–	–
Fines, penalties and forfeits	13,630	13,630	13,630	13,630	14,841	15,732	16,676
Licences and permits	5,408	5,408	5,408	5,408	3,396	3,600	3,816
Agency services	–	–	–	–	–	–	–
Transfers and subsidies	161,834	165,551	165,551	165,551	164,944	179,473	189,318
Other revenue	2,709	2,709	2,709	2,709	2,919	3,094	3,280
Total Revenue (excluding capital transfers and contributions)	528,536	532,253	532,253	532,253	579,588	618,996	655,212

Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget		Budget Year 2018/19		Budget Year +1 2019/20		Budget Year +2 2020/21
Revenue By Source							
Property rates	94 693	6%	100 375	6%	106 398	6%	112 781
Service charges - electricity revenue	239 494	18%	281 936	6%	298 852	6%	316 783
Service charges - water revenue	–		–		–		–
Service charges - sanitation revenue	–		–		–		–
Service charges - refuse revenue	8 815	6%	9 344	6%	9 904	6%	10 498
Service charges - other	–		–		–		–
Rental of facilities and equipment	389	-39%	239	6%	253	6%	268
Interest earned - external investments	544	6%	577	6%	611	6%	648
Interest earned - outstanding debtors	1 020	0%	1 018	6%	1 079	6%	1 144
Dividends received	–		–		–		–
Fines, penalties and forfeits	13 630	9%	14 841	6%	15 732	6%	16 676
Licences and permits	5 408	-37%	3 396	6%	3 600	6%	3 816
Agency services	–		–		–		–
Transfers and subsidies	165 551	0%	164 944	9%	179 473	5%	189 318
Other revenue	2 709	8%	2 919	6%	3 094	6%	3 280
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	532 253		579 588		618 996		655 212

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges totaled R390 million or 67.3 per cent. This increases to R413 million and R438 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 64 per cent in 2016/17 to 67 per cent in 2018/19. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

Property rates is the third largest revenue source totaling 17 per cent or R100 million rand and increases to R112 million by 2020/21.

Operating grants and transfers totals R164 million in the 2018/19 financial year and steadily increased to R189 million by 2020/21. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	156 749	160 466	160 466	160 964	175 309	189 318
Local Government Equitable Share					143 450	143 450	143 450	155 907	172 809	187 318
Finance Management					3 600	3 600	3 600	3 670	2 500	2 000
EPWP Incentive					5 133	5 133	5 133	1 387		
Municipal Demarcation Grant					4 566	8 283	8 283			
Provincial Government:		-	-	-	3 785	3 785	3 785	3 980	4 164	-
Provincialisation of Libraries					2 871	2 871	2 871	3 021	3 172	
Community Library Services					564	564	564	591	606	
Museum Grant					350	350	350	368	386	
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	1 300	1 300	1 300	-	-	-
Other Grants from COGTA					1 300	1 300	1 300			
Total Operating Transfers and Grants	5	-	-	-	161 834	165 551	165 551	164 944	179 473	189 318
Capital Transfers and Grants										
National Government:		-	-	-	53 276	53 276	53 276	50 949	42 661	49 232
Municipal Infrastructure Grant (MIG)					38 276	38 276	38 276	36 949	37 661	39 632
INEP					15 000	15 000	15 000	14 000	5 000	9 600
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
Other Grants from COGT										
Total Capital Transfers and Grants	5	-	-	-	53 276	53 276	53 276	50 949	42 661	49 232
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	215 110	218 827	218 827	215 893	222 134	238 550

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom and bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R30 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 43 per cent rebate will be granted on all residential properties (including residential hospitality properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- On Commercial properties, an average of 21% rebate;
- Industrial properties, an average of 27% rebate;
- Agriculture properties, 20% rebate;
- Public Service Infrastructure, 30% rebate; and
- And 5% rebate is given to the State Owned Properties.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 5 per cent decrease on rebates from 1 July 2018 is contained below:

Table 5 Comparison of proposed rates to levied for the 2018/19 financial year

RATES RANDAGE

Category	Impermissible	Rebate	Current Year Randage 2017/18	Proposed Randage 2018/19
Residential	30 000	43%	0.018895	0.018895
Residential - Hospitality	30 000	43%	0.018895	0.018895
Commercial	-	As Per Table	0.03726	0.03726
Agriculture	-	14%	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.002086	0.002086
State Owned	-	-	0.03119	0.03119
Industrial	-	As Per Table	0.03637	0.03726
Public Benefit Organisation Property	-	None	0.002068	0.002068
Recreational Clubs	-	30%	0.0018895	0.018895

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	Rebate
0-1.5 million	25.660%
>1.5 million – 2.5 million	15.685%
>2.5 million – 7.5 million	19.635%
>7. 5 million -10 million	13.650%
>10 million	34.121%

REBATES FOR INDUSTRIAL PROPERTIES

VALUE OF PROPERTY	REBATE
0-1 Million	03.286%
>1-2 million	07.234%
>2-5 million	34.405%

>5-36 million	30.470%
>36 million	57.692%

ADDITIONAL RELIEF

USAGE/OWNER	ADDITIONAL REBATE
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	+12.50%

2018/19 Tariffs	
Agriculture	0.0022
Agricultural Small holding	0.0022
Commercial	0.0064
Communal land	Non Ratable
Communal land and property ass	0.0045
Industrial	0.0064
P S I (first R 30000)	0.0064
State owned	0.0255
Municipal	Non Ratable
Place of worship	Non Ratable
CONSERVATION – NEMA	Non Ratable
RESIDENTIAL	0.0087

1.4.2 Sale of Electricity and Impact of Tariff Increases

Considering the Eskom increases, the consumer tariff had to be increased by 6.84 per cent to offset the additional bulk purchase cost from 1 July 2018. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2018. Higher increases will not be viable in 2018/19 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 6 MBRR Table SA14 – Household bills

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates					816.56	816.56	816.56	6.0%	865.55	917.49	972.54
Electricity : Basic levy											
Electricity : Consumption					2 551.08	2 551.08	2 551.08	6.0%	2 704.14	2 866.39	3 038.38
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal					89.99	89.99	89.99	6.0%	95.39	101.11	107.18
Other											
sub-total		-	-	-	3 457.63	3 457.63	3 457.63	6.0%	3 665.09	3 884.99	4 118.09
VAT on Services											
Total large household bill:		-	-	-	3 457.63	3 457.63	3 457.63	6.0%	3 665.09	3 884.99	4 118.09
% increase/-decrease			-	-	-	-	-		6.0%	6.0%	6.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates					178.45	178.45	178.45	6.0%	189.16	200.51	212.54
Electricity : Basic levy											
Electricity : Consumption					1 014.76	1 014.76	1 014.76	6.0%	1 075.65	1 140.18	1 208.60
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal					89.97	89.97	89.97	6.0%	95.37	101.09	107.16
Other											
sub-total		-	-	-	1 283.18	1 283.18	1 283.18	6.0%	1 360.17	1 441.78	1 528.29
VAT on Services											
Total small household bill:		-	-	-	1 283.18	1 283.18	1 283.18	6.0%	1 360.17	1 441.78	1 528.29
% increase/-decrease			-	-	-	-	-		6.0%	6.0%	6.0%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates											
Electricity : Basic levy											
Electricity : Consumption					888.38	888.38	888.38	6.0%	941.68	998.18	1 058.07
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	888.38	888.38	888.38	6.0%	941.68	998.18	1 058.07
VAT on Services											
Total small household bill:		-	-	-	888.38	888.38	888.38	6.0%	941.68	998.18	1 058.07
% increase/-decrease			-	-	-	-	-		6.0%	6.0%	6.0%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset repairs and maintenance strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

Table 7 Summary of operating expenditure by standard classification item

Description	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type							
Employee related costs	129,226	159,226	159,226	159,226	176,694	187,296	198,534
Remuneration of councillors	16,119	16,119	16,119	16,119	16,252	17,227	18,261
Debt impairment	7,000	7,000	7,000	7,000	7,000	7,420	7,865
Depreciation & asset impairment	45,159	45,159	45,159	45,159	60,000	63,600	67,416
Finance charges	2,539	2,039	2,039	2,039	894	947	1,004
Bulk purchases	151,264	151,264	151,264	151,264	164,376	174,238	184,692
Other materials	16,050	10,380	10,380	10,380	22,521	23,873	25,305
Contracted services	30,000	40,728	40,728	40,728	30,000	31,800	33,708
Transfers and subsidies	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Other expenditure	82,873	70,764	70,764	70,764	46,876	49,689	52,670
Loss on disposal of PPE							
Total Expenditure	490,230	512,679	512,679	512,679	534,613	566,090	599,456

The budgeted allocation for employee related costs for the 2018/19 financial year totals R176 million, which equals 33 per cent of the total operating expenditure. An annual increase of 6 and 5.9 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies might be filled with placement method due to the merger that will take place in 2016/17 financial year with Imbabazane and Umtshezi Local Municipality.

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R60 million for the 2018/19 financials and equates to 11 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and lease. Finance charges make up 0.17 per cent (R893 532) of operating expenditure. As previously noted, the Municipality has reached its prudential limits for borrowing because of poor cash flow position.

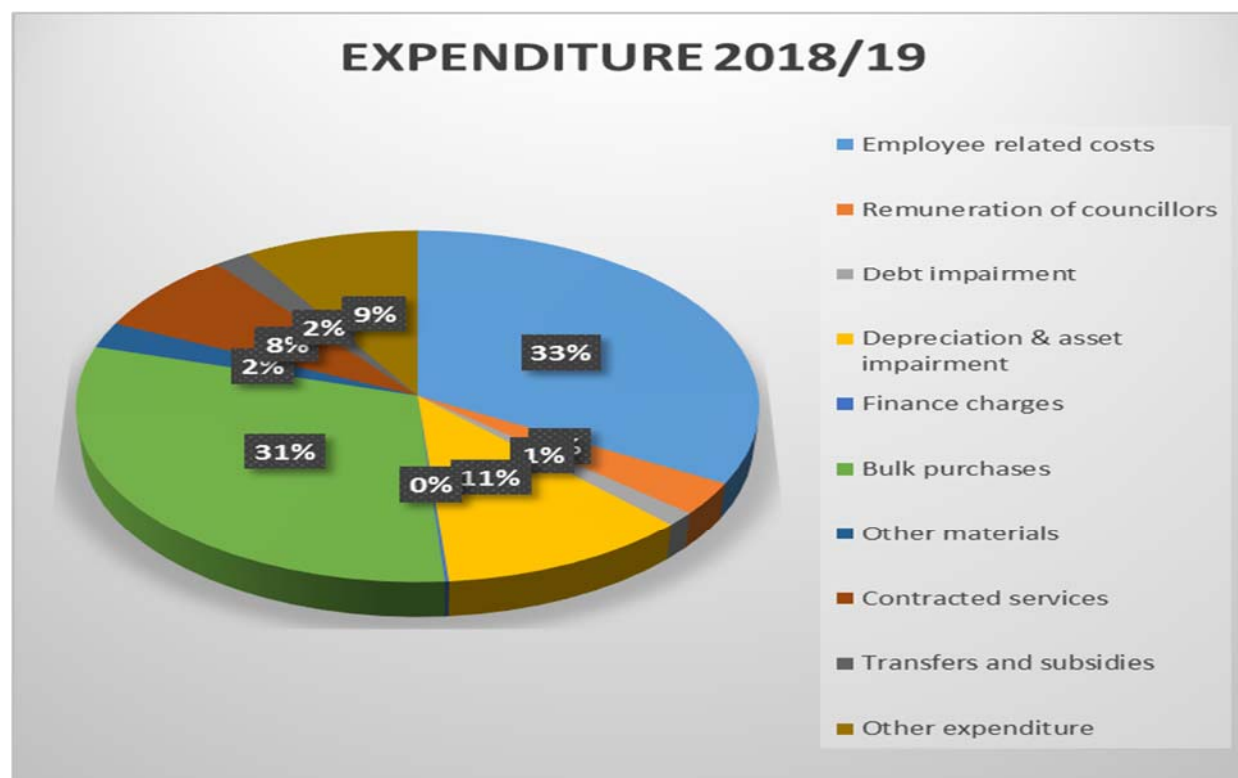
Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises of amongst others, materials for maintenance, and chemicals. In line with the Municipality repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure. For 2018/19 the appropriation against this group of expenditure is 22 million. Other materials will then increase by 6 % in the two outer years.

Contracted services comprises of Security Services. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2018/19 financial year, this group of expenditure totals R30 million, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 6 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. Due to the cash flows problems that the municipality is facing, general expenditure items have been decreased significantly for the 2018/19 financial year.

The following table gives a breakdown of the main expenditure categories for the 2018/19 financial year.



1.5.1 Priority given to repairs and maintenance

Repairs and Maintenance							
Other materials	16,050	10,380	10,380	10,380	22,521	23,873	25,305
Total Repairs and maintenance	16,050	10,380	10,380	10,380	22,521	23,873	25,305

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 8 Operational repairs and maintenance

During the compilation of the 2017/18 Adjustments Budget repairs and maintenance is 10 million. The municipality has purchased new fleet and plant during 2013. This has resulted in less repairs and maintenance of vehicles due the fact that the old vehicles were auctioned and the new fleet does not need a lot of repairs. Repairs and maintenance still remains a priority as can be seen by the budget appropriations over the MTREF other materials will increase by 6 per cent in the two outer years. Other materials will increase to 12.5 million by the 2018/19 financial year.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 7 000 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 9 2018/19 Medium-term capital budget per vote

Vote Description R thousand	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Single-year expenditure to be appropriated							
Vote 1 - CORPORATE	100	100	100	100	100	–	–
Vote 2 - MUNICIPAL MANAGER	100	2,100	2,100	2,100	2,200	–	–
Vote 3 - BUDGET & TREASURY OFFICE	100	100	100	100	100	–	–
Vote 4 - COMMUNITY SERVICES	100	800	800	800	100	–	–
Vote 5 - DEVELOPMENT PLANNING	–	–	–	–	–	–	–
Vote 6 - PUBLIC WORKS: CIVIL	38,376	38,376	38,376	38,376	37,049	37,661	39,632
Vote 7 - PUBLIC WORKS: ELECTRICITY	15,100	15,100	15,100	15,100	14,100	5,000	9,600
Capital single-year expenditure sub-total	53,876	56,576	56,576	56,576	53,649	42,661	49,232
Total Capital Expenditure - Vote	53,876	56,576	56,576	56,576	53,649	42,661	49,232

For 2018/19 an amount of R50.9 million has been appropriated for the development of infrastructure, however due to lack of project information from the relevant departments within the municipality, capital projects could not be detailed. The programs shall be detailed adequately in the final annual budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

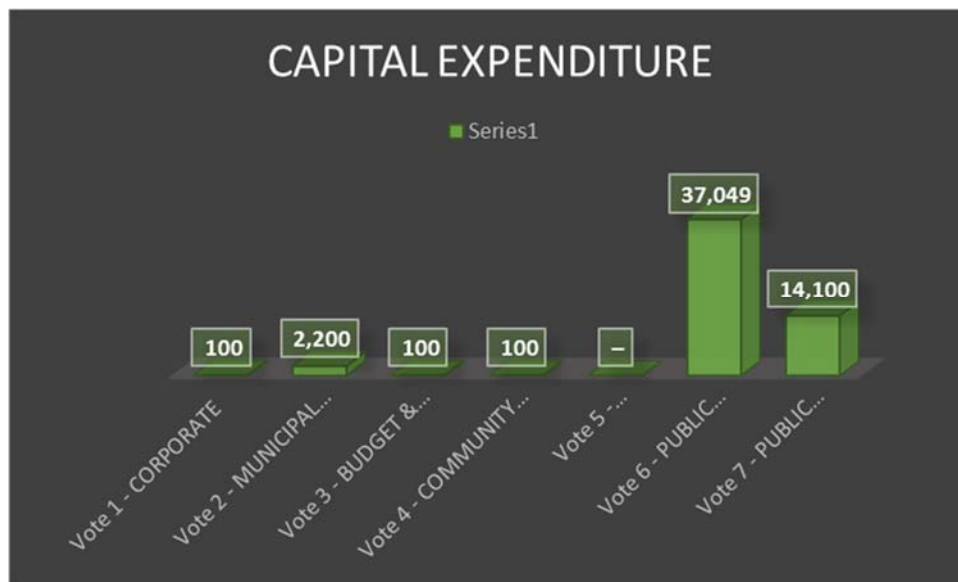


Figure 1 Capital Infrastructure Programme

INEP PROJECTS 2018/19		
Project Name	Number of connections	Allocated Funds
Newlands	180	3 600 000
Bosch	120	2 400 000
Sikhonyane	120	2 400 000
Zwelisha	180	3 600 000
Shayamoya	100	2 000 000
Total		14 000 000

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programmes cannot be stated at the moments due to lack of the information thereof.

1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of regulations 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 10 MBRR Table A1 - Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	-	-	-	94,693	94,693	94,693	94,693	100,375	106,398	112,781
Service charges	-	-	-	248,308	248,308	248,308	248,308	291,280	308,756	327,282
Investment revenue	-	-	-	544	544	544	544	577	611	648
Transfers recognised - operational	-	-	-	161,834	165,551	165,551	165,551	164,944	179,473	189,318
Other own revenue	-	-	-	23,156	23,156	23,156	23,156	22,413	23,757	25,183
Total Revenue (excluding capital transfers and contributions)	-	-	-	528,536	532,253	532,253	532,253	579,588	618,996	655,212
Employee costs	-	-	-	129,226	159,226	159,226	159,226	176,694	187,296	198,534
Remuneration of councillors	-	-	-	16,119	16,119	16,119	16,119	16,252	17,227	18,261
Depreciation & asset impairment	-	-	-	45,159	45,159	45,159	45,159	60,000	63,600	67,416
Finance charges	-	-	-	2,539	2,039	2,039	2,039	894	947	1,004
Materials and bulk purchases	-	-	-	167,314	161,644	161,644	161,644	186,897	198,111	209,997
Transfers and grants	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Other expenditure	-	-	-	119,873	118,492	118,492	118,492	83,876	88,909	94,243
Total Expenditure	-	-	-	490,230	512,679	512,679	512,679	534,613	566,090	599,456
Surplus/(Deficit)	-	-	-	38,307	19,574	19,574	19,574	44,975	52,905	55,756
Transfers and subsidies - capital (monetary allocation)	-	-	-	53,276	53,276	53,276	53,276	50,949	42,661	49,232
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	91,583	72,850	72,850	72,850	95,924	95,566	104,988
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	91,583	72,850	72,850	72,850	95,924	95,566	104,988
Capital expenditure & funds sources										
Capital expenditure										
Transfers recognised - capital	-	-	-	53,276	53,276	53,276	53,276	50,949	42,661	49,232
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	600	3,300	3,300	3,300	2,700	-	-
Total sources of capital funds	-	-	-	53,876	56,576	56,576	56,576	53,649	42,661	49,232
Financial position										
Total current assets	-	-	-	152,919	152,919	152,919	152,919	178,347	234,927	293,978
Total non current assets	-	-	-	792,426	792,426	792,426	792,426	839,872	890,264	943,680
Total current liabilities	-	-	-	65,054	65,054	65,054	65,054	68,957	73,095	77,480
Total non current liabilities	-	-	-	27,786	27,786	27,786	27,786	29,453	31,220	33,094
Community wealth/Equity	-	-	-	852,505	852,505	852,505	852,505	921,808	1,022,876	1,129,085
Cash flows										
Net cash from (used) operating	-	-	-	72,332	72,001	72,001	72,001	90,607	89,330	97,778
Net cash from (used) investing	-	-	-	(53,876)	(56,576)	(56,576)	(56,576)	(53,649)	(42,661)	(49,232)
Net cash from (used) financing	-	-	-	(896)	(896)	(896)	(896)	(2,500)	-	-
Cash/cash equivalents at the year end	-	-	-	(2,909)	(6,760)	(6,760)	(6,760)	13,169	59,838	108,385
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	(2,815)	(2,815)	(2,815)	(2,815)	13,169	59,838	108,385
Application of cash and investments	-	-	-	(82,112)	(89,787)	(89,787)	(89,787)	(91,299)	(96,778)	(102,584)
Balance - surplus (shortfall)	-	-	-	79,297	86,972	86,972	86,972	104,468	156,616	210,968
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	24,835	24,835	24,835	26,325	26,325	27,905	29,579
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. Although the Cash flow has a positive balance, the municipality's cash flow position is still weak. Hence the municipality has decided to keep its internally generated capital funding low.
4. The Municipality plans to work hard on collecting its old debt. The revenue section has put a plan in action in this regard, as the municipality is putting great emphasis on regaining its financial stability.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
<i>Governance and administration</i>		-	-	-	267,609	271,326	271,326	534,104	559,437	596,091
Executive and council		-	-	-	557	557	557	6	6	7
Finance and administration		-	-	-	267,052	270,769	270,769	534,098	559,431	596,085
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	18,617	18,617	18,617	17,874	18,946	20,083
Community and social services		-	-	-	18,617	18,617	18,617	17,874	18,946	20,083
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	39,254	39,254	39,254	38,499	40,809	43,257
Planning and development		-	-	-	6	6	6	162	172	182
Road transport		-	-	-	39,248	39,248	39,248	38,336	40,637	43,075
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	256,332	256,332	256,332	40,061	42,464	45,012
Energy sources		-	-	-	256,332	256,332	256,332	40,061	42,464	45,012
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	-	-	581,812	585,529	585,529	630,537	661,657	704,444
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	160,029	188,147	188,147	183,488	193,898	204,932
Executive and council		-	-	-	66,924	54,815	54,815	35,982	38,141	40,430
Finance and administration		-	-	-	93,105	133,332	133,332	147,506	155,757	164,503
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	76,134	76,135	76,135	83,479	88,487	93,797
Community and social services		-	-	-	76,134	76,135	76,135	83,479	88,487	93,797
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	72,266	66,596	66,596	61,983	65,702	69,644
Planning and development		-	-	-	23,411	23,411	23,411	10,984	11,643	12,341
Road transport		-	-	-	48,855	43,185	43,185	50,999	54,059	57,303
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	181,801	181,801	181,801	205,662	218,002	231,082
Energy sources		-	-	-	181,801	181,801	181,801	205,662	218,002	231,082
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	-	-	490,230	512,679	512,679	534,613	566,090	599,456
Surplus/(Deficit) for the year		-	-	-	91,583	72,850	72,850	95,924	95,566	104,988

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 06 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste

management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the other departments.

Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Revenue by Vote	1									
Vote 1 - CORPORATE		-	-	-	180	180	180	1	1	1
Vote 2 - MUNICIPAL MANAGER		-	-	-	557	557	557	6	6	7
Vote 3 - BUDGET & TREASURY OFFICE		-	-	-	266,872	270,589	270,589	534,097	559,430	596,084
Vote 4 - COMMUNITY SERVICES		-	-	-	18,617	18,617	18,617	17,874	18,946	20,083
Vote 5 - DEVELOPMENT PLANNING		-	-	-	6	6	6	162	172	182
Vote 6 - PUBLIC WORKS: CIVIL		-	-	-	39,248	39,248	39,248	38,336	40,637	43,075
Vote 7 - PUBLIC WORKS: ELECTRICITY		-	-	-	256,332	256,332	256,332	40,061	42,464	45,012
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	581,812	585,529	585,529	630,537	661,657	704,444
Expenditure by Vote to be appropriated	1									
Vote 1 - CORPORATE		-	-	-	29,979	40,706	40,706	64,183	68,034	72,116
Vote 2 - MUNICIPAL MANAGER		-	-	-	66,924	54,815	54,815	35,982	38,141	40,430
Vote 3 - BUDGET & TREASURY OFFICE		-	-	-	63,126	92,626	92,626	83,323	87,723	92,387
Vote 4 - COMMUNITY SERVICES		-	-	-	76,134	76,135	76,135	83,479	88,487	93,797
Vote 5 - DEVELOPMENT PLANNING		-	-	-	23,411	23,411	23,411	10,984	11,643	12,341
Vote 6 - PUBLIC WORKS: CIVIL		-	-	-	48,855	43,185	43,185	50,999	54,059	57,303
Vote 7 - PUBLIC WORKS: ELECTRICITY		-	-	-	181,801	181,801	181,801	205,662	218,002	231,082
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	490,230	512,679	512,679	534,613	566,090	599,456
Surplus/(Deficit) for the year	2	-	-	-	91,583	72,850	72,850	95,924	95,566	104,988

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity services.

Table 13 Surplus/(Deficit) calculations for the trading services

TRADING SERVICES			
	2018/19	2019/20	2020/21
ELECTRICITY			
Revenue	281 936 000	298 852 000	316 783 000
Expenditure	198 662 000	210 582 000	223 217 000
	83 274 000	88 270 000	93 566 000
SOLID WASTE MANAGEMENT			
Revenue	9 344 000	9 904 000	10 498 000
Expenditure	13 115 000	13 902 000	14 736 000
	-3 771 000	-3 998 000	-4 238 000

Explanatory notes to surplus and deficit calculation for Trading Services

The municipality is currently making a loss in the collecting of refuse. A profit of R83 mil will be made in 2018/19 on Electricity. The municipality will seek to maintain the surplus from Solid Waste Management services as it often operate on loss.

Table 14 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Current Year 2017/18				2019/20 Medium-Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1							
Revenue By Source								
Property rates	2	94,693	94,693	94,693	94,693	100,375	106,398	112,781
Service charges - electricity revenue	2	239,494	239,494	239,494	239,494	281,936	298,852	316,783
Service charges - water revenue	2	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–
Service charges - refuse revenue	2	8,815	8,815	8,815	8,815	9,344	9,904	10,498
Service charges - other		–	–	–	–	–	–	–
Rental of facilities and equipment		389	389	389	389	239	253	268
Interest earned - external investments		544	544	544	544	577	611	648
Interest earned - outstanding debtors		1,020	1,020	1,020	1,020	1,018	1,079	1,144
Dividends received		–	–	–	–	–	–	–
Fines, penalties and forfeits		13,630	13,630	13,630	13,630	14,841	15,732	16,676
Licences and permits		5,408	5,408	5,408	5,408	3,396	3,600	3,816
Agency services		–	–	–	–	–	–	–
Transfers and subsidies		161,834	165,551	165,551	165,551	164,944	179,473	189,318
Other revenue	2	2,709	2,709	2,709	2,709	2,919	3,094	3,280
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)		528,536	532,253	532,253	532,253	579,588	618,996	655,212
Expenditure By Type								
Employee related costs	2	129,226	159,226	159,226	159,226	176,694	187,296	198,534
Remuneration of councillors		16,119	16,119	16,119	16,119	16,252	17,227	18,261
Debt impairment	3	7,000	7,000	7,000	7,000	7,000	7,420	7,865
Depreciation & asset impairment	2	45,159	45,159	45,159	45,159	60,000	63,600	67,416
Finance charges		2,539	2,039	2,039	2,039	894	947	1,004
Bulk purchases	2	151,264	151,264	151,264	151,264	164,376	174,238	184,692
Other materials	8	16,050	10,380	10,380	10,380	22,521	23,873	25,305
Contracted services		30,000	40,728	40,728	40,728	30,000	31,800	33,708
Transfers and subsidies		10,000	10,000	10,000	10,000	10,000	10,000	10,000
Other expenditure	4, 5	82,873	70,764	70,764	70,764	46,876	49,689	52,670
Loss on disposal of PPE								
Total Expenditure		490,230	512,679	512,679	512,679	534,613	566,090	599,456
Surplus/(Deficit)		38,307	19,574	19,574	19,574	44,975	52,905	55,756
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		53,276	53,276	53,276	53,276	50,949	42,661	49,232
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises,	6	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)								
Surplus/(Deficit) after capital transfers & contributions		91,583	72,850	72,850	72,850	95,924	95,566	104,988
Taxation								
Surplus/(Deficit) after taxation		91,583	72,850	72,850	72,850	95,924	95,566	104,988
Attributable to minorities								
Surplus/(Deficit) attributable to municipality		91,583	72,850	72,850	72,850	95,924	95,566	104,988
Share of surplus/ (deficit) of associate	7							
Surplus/(Deficit) for the year		91,583	72,850	72,850	72,850	95,924	95,566	104,988

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R629 million in 2018/19 and increase to R704 million by 2020/21. This represents a year-on-year increase of 5.9 per cent for the 2019/20 financial year and 6 per cent for the 2020/21 financial year.
2. Revenue to be generated from property rates is R100 million in the 2018/19 financial year and increases to R112 million by 2020/21 which represents 12 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totaling R290 million for the 2018/19 financial year and increasing to R326 million by 2020/21. For the 2018/19 financial year services charges amount to 50 per cent of the total revenue base and grows by 6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF by 3.5per cent. The percentage increase is based on the allocations set out for the municipality.
5. Bulk purchases have significantly increased over the 2017/18 to 2018/19 period escalating from R151 million to R164 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 15 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Single-year expenditure to be appropriated							
Vote 1 - CORPORATE	100	100	100	100	100	–	–
Vote 2 - MUNICIPAL MANAGER	100	2,100	2,100	2,100	2,200	–	–
Vote 3 - BUDGET & TREASURY OFFICE	100	100	100	100	100	–	–
Vote 4 - COMMUNITY SERVICES	100	800	800	800	100	–	–
Vote 5 - DEVELOPMENT PLANNING	–	–	–	–	–	–	–
Vote 6 - PUBLIC WORKS: CIVIL	38,376	38,376	38,376	38,376	37,049	37,661	39,632
Vote 7 - PUBLIC WORKS: ELECTRICITY	15,100	15,100	15,100	15,100	14,100	5,000	9,600
Capital single-year expenditure sub-total	53,876	56,576	56,576	56,576	53,649	42,661	49,232
Total Capital Expenditure - Vote	53,876	56,576	56,576	56,576	53,649	42,661	49,232
Capital Expenditure - Functional							
Governance and administration	300	2,300	2,300	2,300	2,300	–	–
Executive and council	200	2,200	2,200	2,200	2,100		
Finance and administration	100	100	100	100	200		
Internal audit							
Community and public safety	100	800	800	800	100	–	–
Community and social services	100	800	800	800	100		
Economic and environmental services	38,376	38,376	38,376	38,376	37,149	37,661	39,632
Planning and development					100		
Road transport	38,376	38,376	38,376	38,376	37,049	37,661	39,632
Environmental protection							
Trading services	15,100	15,100	15,100	15,100	14,100	5,000	9,600
Energy sources	15,100	15,100	15,100	15,100	14,100	5,000	9,600
Total Capital Expenditure - Functional	53,876	56,576	56,576	56,576	53,649	42,661	49,232
Funded by:							
National Government	53,276	53,276	53,276	53,276	50,949	42,661	49,232
Transfers recognised - capital	53,276	53,276	53,276	53,276	50,949	42,661	49,232
Public contributions & donations							
Borrowing							
Internally generated funds	600	3,300	3,300	3,300	2,700		
Total Capital Funding	53,876	56,576	56,576	56,576	53,649	42,661	49,232

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to single-year appropriations, for 2018/19 R51.6 million has been allocated, which totals 99 per cent. This allocation decreases to R42 million in 2019/20.
3. The capital programs are funded from national grants and transfers, borrowing and internally generated funds from current year surpluses. For 2018/19, capital transfers totals R50 million and R700 000 is internally generated funds. There will be no borrowings in the 2018/19 financial year.

Table 16 MBRR Table A6 - Budgeted Financial Position

KZN237 Inkosi Langalibalele - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Current assets											
Cash					(2 909)	(2 909)	(2 909)	(2 909)	15 169	61 838	110 385
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	-	119 894	119 894	119 894	119 894	127 088	134 713	142 796
Other debtors					32 854	32 854	32 854	32 854	34 825	36 915	39 130
Current portion of long-term receivables					461	461	461	461	489	518	549
Inventory	2				2 619	2 619	2 619	2 619	2 776	2 943	3 119
Total current assets		-	-	-	152 919	152 919	152 919	152 919	180 347	236 927	295 978
Non current assets											
Long-term receivables											
Investments					94	94	94	94	-	-	-
Investment property					1 642	1 642	1 642	1 642	1 741	1 845	1 956
Investment in Associate											
Property, plant and equipment	3	-	-	-	779 886	779 886	779 886	779 886	826 679	876 280	928 857
Agricultural											
Biological					448	448	448	448	475	503	534
Intangible					10 356	10 356	10 356	10 356	10 977	11 636	12 334
Other non-current assets											
Total non current assets		-	-	-	792 426	792 426	792 426	792 426	839 872	890 264	943 680
TOTAL ASSETS		-	-	-	945 345	945 345	945 345	945 345	1 020 219	1 127 191	1 239 658
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	-	-	-	3 715	3 715	3 715	3 715	3 938	4 174	4 425
Consumer deposits					3 109	3 109	3 109	3 109	3 296	3 493	3 703
Trade and other payables	4	-	-	-	36 250	36 250	36 250	36 250	38 425	40 731	43 174
Provisions					21 980	21 980	21 980	21 980	23 299	24 697	26 179
Total current liabilities		-	-	-	65 054	65 054	65 054	65 054	68 957	73 095	77 480
Non current liabilities											
Borrowing		-	-	-	9 519	9 519	9 519	9 519	10 090	10 696	11 337
Provisions		-	-	-	18 267	18 267	18 267	18 267	19 363	20 525	21 756
Total non current liabilities		-	-	-	27 786	27 786	27 786	27 786	29 453	31 220	33 094
TOTAL LIABILITIES		-	-	-	92 840	92 840	92 840	92 840	98 410	104 315	110 574
NET ASSETS	5	-	-	-	852 505	852 505	852 505	852 505	921 808	1 022 876	1 129 085
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)					851 410	851 410	851 410	851 410	920 713	1 021 781	1 127 990
Reserves	4	-	-	-	1 095	1 095	1 095	1 095	1 095	1 095	1 095
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	852 505	852 505	852 505	852 505	921 808	1 022 876	1 129 085

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 17 MBRR Table A7 - Budgeted Cash Flow Statement

KZN237 Inkosi Langa libalele - Table A7 Budgeted Cash Flows

REVENUE INCOME LANGSABARU - TABLE A: Budgeted Cash Flows											
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates					56 816	75 216	75 216	75 216	80 300	85 118	90 225
Service charges					204 777	204 777	204 777	204 777	233 024	247 005	261 825
Other revenue					22 136	22 136	22 136	22 136	18 427	19 532	20 704
Government - operating	1				161 834	165 551	165 551	165 551	164 944	179 473	189 318
Government - capital	1				53 276	53 276	53 276	53 276	50 949	42 661	49 232
Interest					1 564	1 564	1 564	1 564	577	611	648
Dividends									-	-	-
Payments											
Suppliers and employees					(425 532)	(448 480)	(448 480)	(448 480)	(456 720)	(484 123)	(513 170)
Finance charges					(2 539)	(2 039)	(2 039)	(2 039)	(894)	(947)	(1 004)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	72 332	72 001	72 001	72 001	90 607	89 330	97 778
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets					(53 876)	(56 576)	(56 576)	(56 576)	(51 649)	(42 661)	(49 232)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	(53 876)	(56 576)	(56 576)	(56 576)	(51 649)	(42 661)	(49 232)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing					(896)	(896)	(896)	(896)	(2 500)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	(896)	(896)	(896)	(896)	(2 500)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	17 560	14 529	14 529	14 529	36 458	46 669	48 546
Cash/cash equivalents at the year begin:	2				(20 469)	(21 289)	(21 289)	(21 289)	(21 289)	15 169	61 838
Cash/cash equivalents at the year end:	2	-	-	-	(2 909)	(6 760)	(6 760)	(6 760)	15 169	61 838	110 385

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2017/18 to 2018/19 period owing directly to a net decrease in cash for the 2018/19 financial year.
4. As part of the 2017/18 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors.
6. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 18 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN237 Inkosi Langalibalele - Table A8 Cash backed reserves/accumulated surplus reconciliation

KZN257 MKOSI Langabalele - Table A6 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	–	–	–	40 689	45 101	45 101	45 101	1 751	(16 383)	(35 605)
Other current investments > 90 days		–	–	–	20 001	20 535	20 535	20 535	20 000	39 439	60 045
Non current assets - Investments	1	–	–	–	94	94	94	94	94	100	106
Cash and investments available:		–	–	–	60 784	65 730	65 730	65 730	21 845	23 156	24 545
Application of cash and investments											
Unspent conditional transfers		–	–	–	1 250	1 250	1 250	1 250	1 250	1 325	1 405
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	–	–	–	(72 982)	(73 238)	(73 238)	(73 238)	(77 078)	(81 702)	(86 604)
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		–	–	–	(71 732)	(71 988)	(71 988)	(71 988)	(75 828)	(80 377)	(85 200)
Surplus(shortfall)		–	–	–	132 516	137 718	137 718	137 718	97 673	103 533	109 745

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2018/19 MTREF was funded owing to the significant surplus.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on August 2016. Key dates applicable to the process were:

- **August 2018** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2018/19 MTREF;
- **November 2018** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2019**- Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2019** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **25 January 2019** - Council considers the 2018/19 Mid-year Review and Adjustments Budget;

- **February 2019** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The 2018/19 MTREF is revised accordingly;
- **31 March 2019** - Tabling in Council of the draft 2019/20 IDP and 2019/20 MTREF for public consultation;
- **April 2019**– Public consultation;
- **May 2019**- Closing date for written comments;
- **6 to 21 May 2019** – finalisation of the 2019/20 IDP and 2019/20 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2019** - Tabling of the 2019/20 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as adopted by Council in May 2017. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF in August.

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Town growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 89 and 91 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2018/19 MTREF will be tabled before Council on 30 March 2018 for community consultation will be published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process will include the launch of E-based consultation. E-mail notifications will be sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Municipality's website.

Ward Committees will be utilised to facilitate the community consultation process in April 2018. The applicable dates and venues will be published in all the local newspapers. Additional initiatives will be launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions will be scheduled with organised business and imbizo's will be held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 19 IDP Strategic Objectives

2017/18 Financial Year	2018/19 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide electricity;
 - o Provide water;
 - o Provide sanitation;
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of the City.
2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the City;
 - o Ensuring planning processes function in accordance with set timeframes;

- o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- o Effective implementation of the Indigent Policy;
 - o Working with the provincial department of health to provide primary health care services;
 - o Extending waste removal services and ensuring effective city cleansing;
 - o Ensuring all waste water treatment works are operating optimally;
 - o Working with strategic partners such as SAPS to address crime;
 - o Ensuring safe working environments by effective enforcement of building and health regulations;
 - o Promote viable, sustainable communities through proper zoning; and
 - o Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- o Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- o Optimising effective community participation in the ward committee system; and
 - o Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- o Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- o Reviewing the use of contracted services
 - o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- o Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

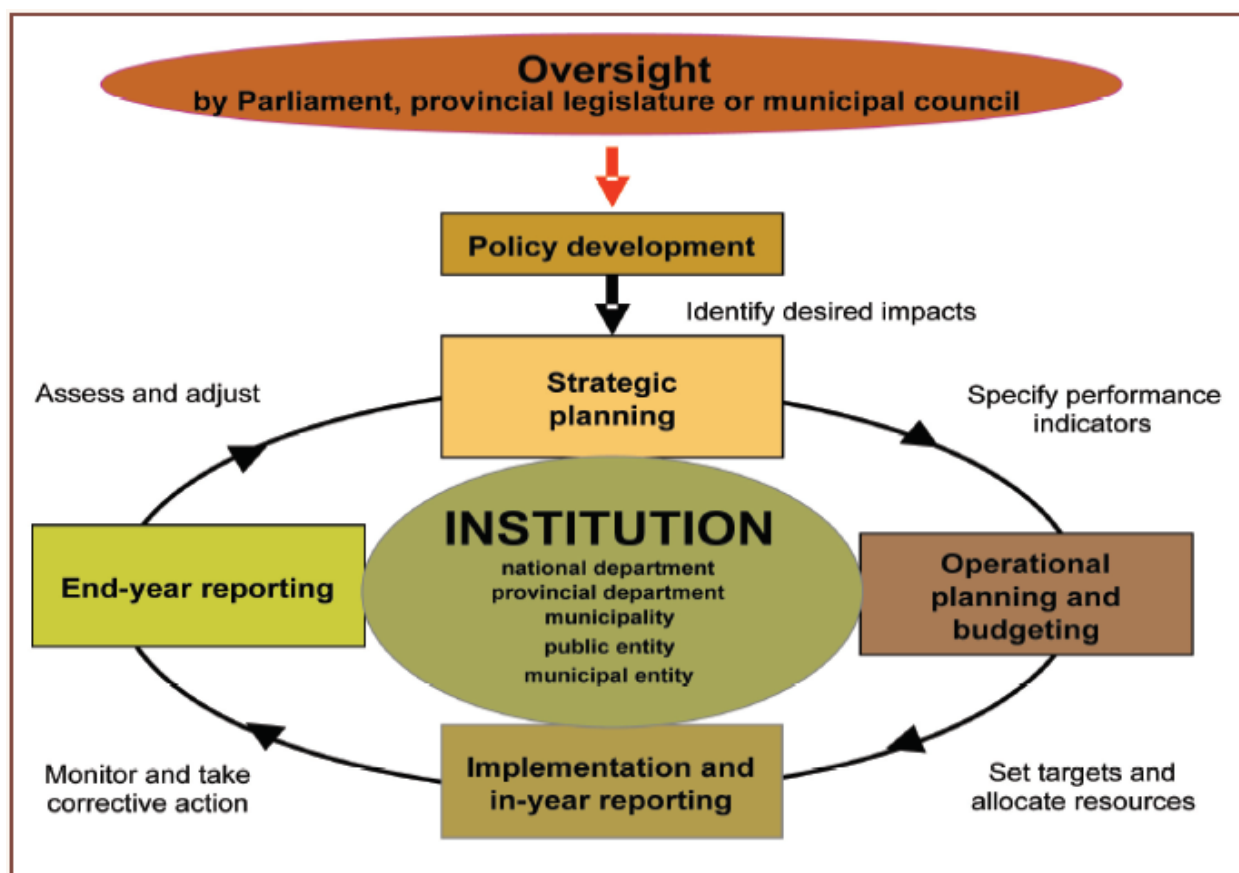
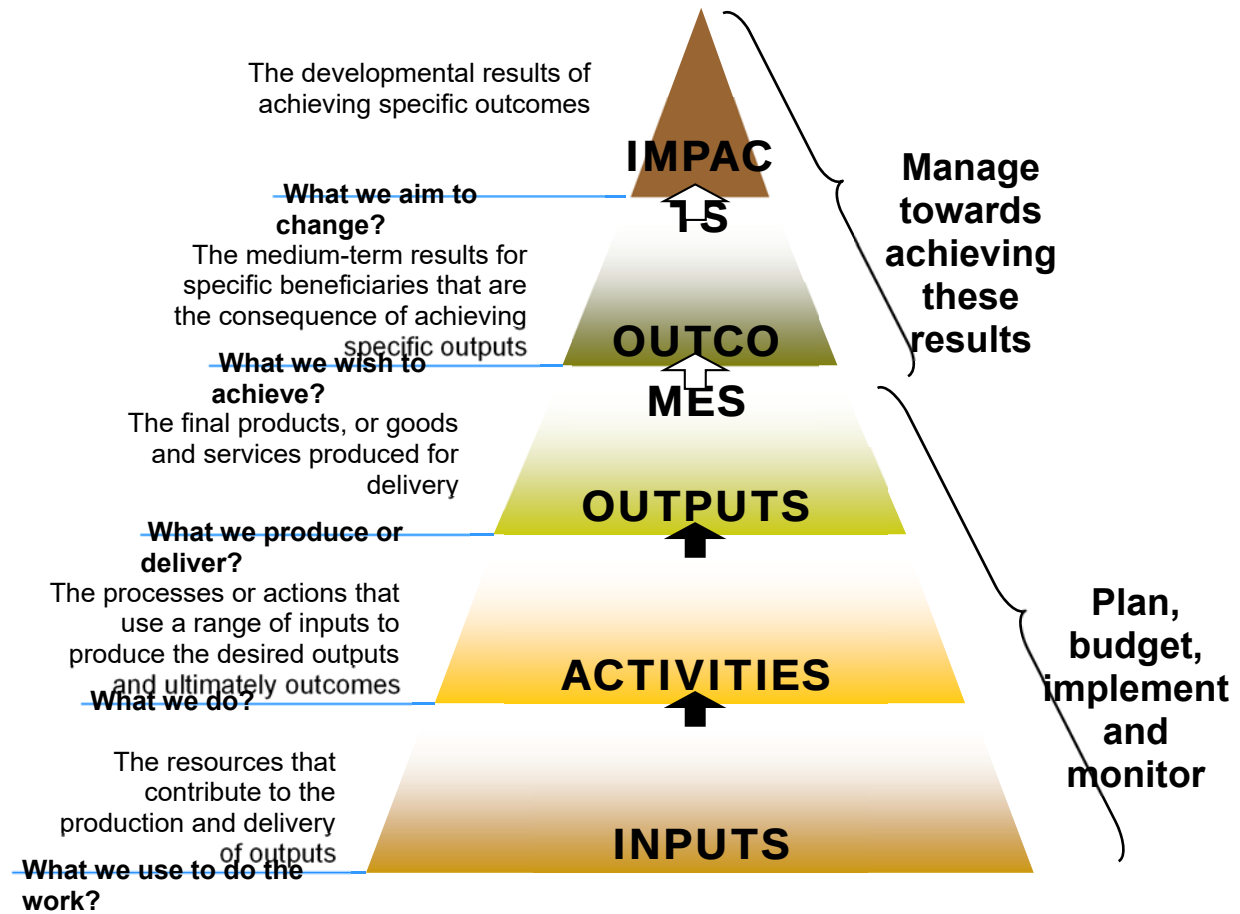


Figure 2 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Inkosi Langalibalele Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 1.56 per cent in 2017/18 to 1.1per cent in 2018/19. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 1.2 per cent in 2018/19 While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the municipality has reached its prudential borrowing limits.

The municipality's debt profile provides some interesting insights on the municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2018/19 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.3 Creditors Management

- The municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While this raises a concern in terms of the liquidity. Not paying creditors within 30 days and have creditor's outstanding over 90 days is a sign of weakness in cash

flow. However the municipality has daily cash flow management plan which should get the municipality to comply with the 30 days legislation.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

For the 2015/16 financial year 5000 registered indigents have been provided for in the budget with this figured increasing to 7000 by 2018/19. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in 2017/18 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2017/18. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2017/18.

2.4.5 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in January 2017. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2018/19 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2017/18 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Inkosi Langalibalele municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;

- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs has been increased by 6.3% as per Circular 91, however, we have seen that in the previous financial and current financial year actual employee related costs exceeds the budgeted amount. We therefore, decided to forecast on actual expenditure trend of this line item. The 6.3% increase is based on the forecasted figures and not on the adjustments budget figure.

2.5.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. Amortisation schedule were obtained from the financial institutions and used to calculate the finance charges the municipality will incur in the 2018/19.

2.5.3 Collection rate for revenue services

With the help from Ernst & Young, we have calculated the municipality's collection rate on Rates, Electricity and Refuse. Both the Debtors and Revenue collection rate were calculated. For cash flow purposes, the Revenue collection rate was used because we felt its more accurate reflection of the income that is collected. The Revenue collection rates were as follows:

- Electricity: 80%
- Refuse: 80%
- Property Rates: 80%

2.5.4 Salary increases

- The increase in the cost of remuneration. Employee related costs has been increased by prime plus 1%, however, Circular 89 and 91 are quiet on this issue.

2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between

policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2018/19 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

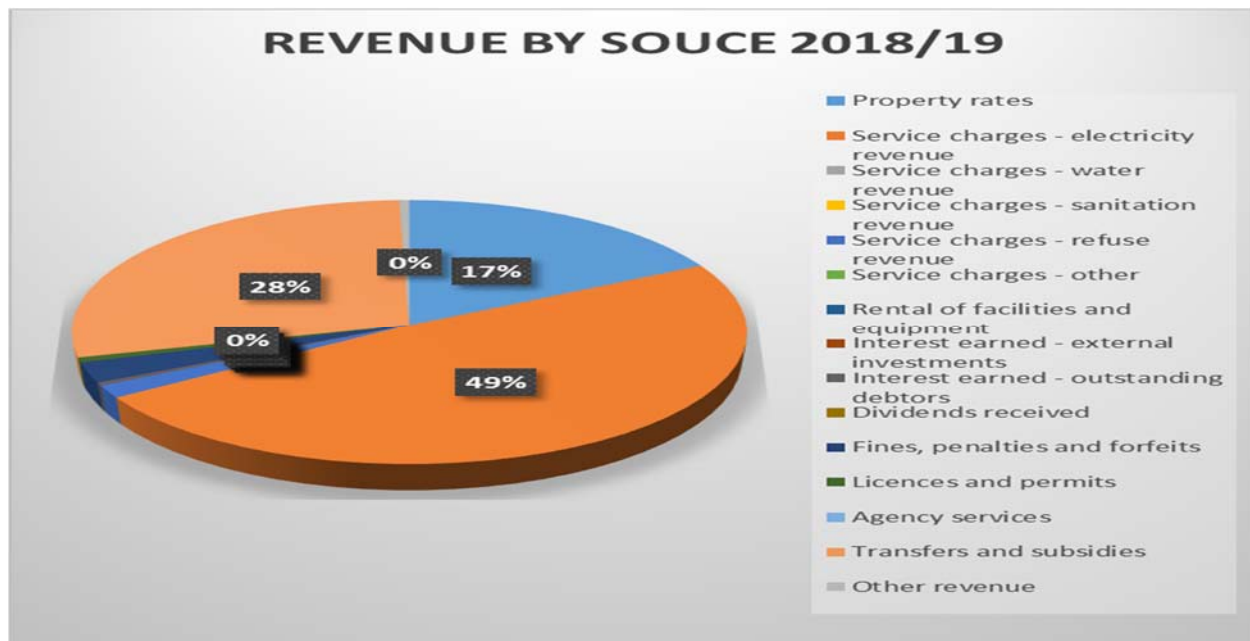
The following table is a breakdown of the operating revenue over the medium-term:

Table 20 Breakdown of the operating revenue over the medium-term

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand					
Revenue By Source					
Property rates	94 693	94 693	100 375	106 398	112 781
Service charges - electricity revenue	239 494	239 494	281 936	298 852	316 783
Service charges - water revenue	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–
Service charges - refuse revenue	8 815	8 815	9 344	9 904	10 498
Service charges - other	–	–	–	–	–
Rental of facilities and equipment	389	389	239	253	268
Interest earned - external investments	544	544	577	611	648
Interest earned - outstanding debtors	1 020	1 020	1 018	1 079	1 144
Dividends received	–	–	–	–	–
Fines, penalties and forfeits	13 630	13 630	14 841	15 732	16 676
Licences and permits	5 408	5 408	3 396	3 600	3 816
Agency services	–	–	–	–	–
Transfers and subsidies	161 834	165 551	164 944	179 473	189 318
Other revenue	2 709	2 709	2 919	3 094	3 280
Gains on disposal of PPE	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	528 536	532 253	579 588	618 996	655 212

The following graph is a breakdown of the operational revenue per main category for the 2018/19 financial year.

Figure 3 Breakdown of operating revenue over the 2018/19 MTREF



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of average 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Table 21 MBRR SA15 – Detail Investment Information

KZN237 Inkosi Langalibalele - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank					94	94	94	94	-	-
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	-	-	-	94	94	94	94	-	-

Table 22 MBRR SA16 – Investment particulars by maturity

2.6.2 Medium-term outlook: capital revenue

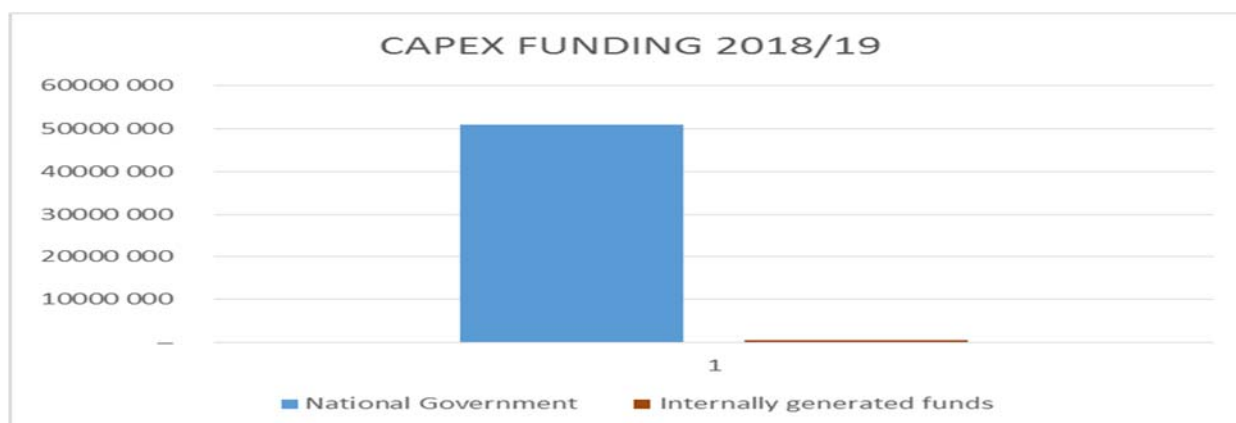
The following table is a breakdown of the funding composition of the 2018/19 medium-term capital programme:

Table 23 Sources of capital revenue over the MTREF

Vote Description	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
Funded by:							
National Government	53,276	53,276	53,276	53,276	50,949	42,661	49,232
Provincial Government							
District Municipality							
Other transfers and grants							
Transfers recognised - capital	53,276	53,276	53,276	53,276	50,949	42,661	49,232
Public contributions & donations							
Borrowing							
Internally generated funds	600	3,300	3,300	3,300	2,700		
Total Capital Funding	53,876	56,576	56,576	56,576	53,649	42,661	49,232

The above table is graphically represented as follows for the 2018/19 financial year.

Figure 4 Sources of capital revenue for the 2018/19 financial year



Capital grants and receipts equates to 99 per cent of the total funding source which represents R37.2 million for the 2018/19 financial year.

Table 24 MBRR Table SA 17 - Detail of borrowings

Figure 5 Growth in outstanding borrowing (long-term liabilities)

Long term liabilities increased significantly in the 2015/16 financial year. However the municipality will not be acquiring any liabilities in the near future and the Long Term liability is expected to decrease by the end of the 2018/19 Financial year

Table 25 MBRR Table SA 18 - Capital transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
<u>Capital Transfers and Grants</u>										
National Government:		-	-	-	53 276	53 276	53 276	50 949	42 661	49 232
Municipal Infrastructure Grant (MIG)					38 276	38 276	38 276	36 949	37 661	39 632
INEP					15 000	15 000	15 000	14 000	5 000	9 600
Provincial Government:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	-	-	-	53 276	53 276	53 276	50 949	42 661	49 232

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 26 MBRR Table A7 - Budget cash flow statement

KZN237 Inkosi Langalibalele - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates					56 816	75 216	75 216	75 216	80 300	85 118	90 225
Service charges					204 777	204 777	204 777	204 777	233 024	247 005	261 825
Other revenue					22 136	22 136	22 136	22 136	18 427	19 532	20 704
Government - operating	1				161 834	165 551	165 551	165 551	164 944	179 473	189 318
Government - capital	1				53 276	53 276	53 276	53 276	50 949	42 661	49 232
Interest					1 564	1 564	1 564	1 564	577	611	648
Dividends									-	-	-
Payments											
Suppliers and employees					(425 532)	(448 480)	(448 480)	(448 480)	(456 720)	(484 123)	(513 170)
Finance charges					(2 539)	(2 039)	(2 039)	(2 039)	(894)	(947)	(1 004)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	72 332	72 001	72 001	72 001	90 607	89 330	97 778
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets					(53 876)	(56 576)	(56 576)	(56 576)	(51 649)	(42 661)	(49 232)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	(53 876)	(56 576)	(56 576)	(56 576)	(51 649)	(42 661)	(49 232)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing					(896)	(896)	(896)	(896)	(2 500)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	(896)	(896)	(896)	(896)	(2 500)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	17 560	14 529	14 529	14 529	36 458	46 669	48 546
Cash/cash equivalents at the year begin:	2				(20 469)	(21 289)	(21 289)	(21 289)	(21 289)	15 169	61 838
Cash/cash equivalents at the year end:	2	-	-	-	(2 909)	(6 760)	(6 760)	(6 760)	15 169	61 838	110 385

The above table shows that cash and cash equivalents of the municipality have steadily decreased overtime.

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

KZN237 Inkosi Langalibalele Supporting Table SA10 Funding measurement

[illegible]

2.6.4.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2018/19 MTREF shows R15 million, R61 million and R110 million for each respective financial year.

2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.4.3 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 79 percent for each of the respective financial years. Given that the assumed collection rate was based on a 97 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.4 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.4.5 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The municipality is not planning to obtain any borrowing to finance capital in 2018/19.

2.6.4.6 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

2.6.4.7 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

2.6.4.8 Repairs and maintenance expenditure level

In terms of National Treasury's requirements, the renewal expenditure must be 40% and repairs and maintenance expenditure must be at least 8%. Due to cash flow problems, the municipality cannot afford to meet the standard required by National Treasury at the moment.

2.6.4.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 28 MBRR SA19 - Expenditure on transfers and grant programmes

KZN237 Inkosi Langalibalele - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	156 749	160 466	160 466	160 964	175 309	189 318
Local Government Equitable Share					143 450	143 450	143 450	155 907	172 809	187 318
Finance Management					3 600	3 600	3 600	3 670	2 500	2 000
EPWP Incentive					5 133	5 133	5 133	1 387		
Municipal Demarcation Grant					4 566	8 283	8 283			
Provincial Government:		-	-	-	2 871	2 871	2 871	3 021	3 172	-
Provincialisation of Libraries					2 871	2 871	2 871	3 021	3 172	
Community Library Services					564	564	564	591	606	
Museum Grant					350	350	350	368	386	
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	1 300	1 300	1 300	-	-	-
<i>Other Grants from COGTA</i>					1 300	1 300	1 300			
Total operating expenditure of Transfers and Grants		-	-	-	160 920	164 637	164 637	163 985	178 481	189 318
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	53 276	53 276	53 276	50 949	51 661	53 632
Municipal Infrastructure Grant (MIG)					38 276	38 276	38 276	36 949	37 661	39 632
INEP					15 000	15 000	15 000	14 000	14 000	14 000
Provincial Government:		-	-	-	-	-	-	-	-	-
<i>Other capital transfers/grants [insert description]</i>										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>Other Grants from COGT</i>										
Total capital expenditure of Transfers and Grants		-	-	-	53 276	53 276	53 276	50 949	51 661	53 632
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	214 196	217 913	217 913	214 934	230 142	242 950

KZN237 Inkosi Langalibalele - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

[illegible]

2.8 Councillor and employee benefit

Table 30 MBRR SA22 - Summary of councillor and staff benefits

KZN237 Inkosi Langalibalele - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages					13 678	13 678	13 678	13 716	14 539	15 411
Pension and UIF Contributions					512	512	512	514	544	577
Medical Aid Contributions					20	20	20	154	163	173
Motor Vehicle Allowance					1 375	1 375	1 375	1 379	1 462	1 549
Cellphone Allowance					416	416	416	418	443	469
Housing Allowances					-	-	-	-	-	-
Other benefits and allowances					72	72	72	72	76	81
Sub Total - Councillors		-	-	-	16 073	16 073	16 073	16 252	17 227	18 261
% increase	4	-	-	-	-	-	-	1.1%	6.0%	6.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages					5 234	5 234	5 234	5 564	5 898	6 251
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		-	-	-	5 234	5 234	5 234	5 564	5 898	6 251
% increase	4	-	-	-	-	-	-	6.3%	6.0%	6.0%
Other Municipal Staff										
Basic Salaries and Wages					83 286	113 286	113 286	128 124	135 811	143 960
Pension and UIF Contributions					11 567	11 567	11 567	12 330	13 070	13 854
Medical Aid Contributions					5 636	5 636	5 636	6 009	6 369	6 751
Overtime					3 738	3 738	3 738	2 547	2 700	2 862
Performance Bonus					6 390	6 390	6 390	7 448	7 895	8 368
Motor Vehicle Allowance	3				4 380	4 380	4 380	4 669	4 949	5 246
Cellphone Allowance	3				494	494	494	1 136	1 204	1 276
Housing Allowances	3				480	480	480	511	542	574
Other benefits and allowances	3				2 711	2 711	2 711	5 425	5 751	6 096
Payments in lieu of leave					4 948	4 948	4 948	2 932	3 108	3 294
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		-	-	-	123 630	153 630	153 630	171 131	181 399	192 282
% increase	4	-	-	-	-	24.3%	-	11.4%	6.0%	6.0%
Total Parent Municipality		-	-	-	144 937	174 937	174 937	192 947	204 524	216 795
		-	-	-	-	20.7%	-	10.3%	6.0%	6.0%

Table 31 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue By Source																
Property rates		8,365	8,365	8,365	8,365	8,365	8,365	8,365	8,365	8,365	8,365	8,365	8,365	100,375	106,398	112,781
Service charges - electricity revenue		23,495	23,495	23,495	23,495	23,495	23,495	23,495	23,495	23,495	23,495	23,495	23,495	281,936	298,852	316,783
Service charges - water revenue														-	-	-
Service charges - sanitation revenue														-	-	-
Service charges - refuse revenue		779	779	779	779	779	779	779	779	779	779	779	778	9,344	9,904	10,498
Service charges - other														-	-	-
Rental of facilities and equipment		20	20	20	20	20	20	20	20	20	20	20	20	239	253	268
Interest earned - external investments		48	48	48	48	48	48	48	48	48	48	48	48	577	611	648
Interest earned - outstanding debtors		85	85	85	85	85	85	85	85	85	85	85	86	1,018	1,079	1,144
Dividends received														-	-	-
Fines, penalties and forfeits		1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	14,841	15,732	16,676
Licences and permits		283	283	283	283	283	283	283	283	283	283	283	283	3,396	3,600	3,816
Agency services														-	-	-
Transfers and subsidies		54,981				54,981				54,981			0	164,944	179,473	189,318
Other revenue		243	243	243	243	243	243	243	243	243	243	243	243	2,919	3,094	3,280
Gains on disposal of PPE														-	-	-
Total Revenue (excluding capital transfers and contributions)		89,535	34,554	34,554	34,554	89,535	34,554	34,554	34,554	89,535	34,554	34,554	34,554	579,588	618,996	655,212
Expenditure By Type																
Employee related costs		14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	176,694	187,296	198,534
Remuneration of councillors		1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,355	16,252	17,227	18,261
Debt impairment		583	583	583	583	583	583	583	583	583	583	583	583	7,000	7,420	7,865
Depreciation & asset impairment		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000	63,600	67,416
Finance charges		75	75	75	75	75	75	75	75	75	75	75	74	894	947	1,004
Bulk purchases		13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	164,376	174,238	184,692
Other materials		1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,874	22,521	23,873	25,305
Contracted services		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	31,800	33,708
Transfers and subsidies		833	833	833	833	833	833	833	833	833	833	833	833	10,000	10,000	10,000
Other expenditure		3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	46,876	49,689	52,670
Loss on disposal of PPE														-	-	-
Total Expenditure		44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,549	534,613	566,090	599,456
Surplus/(Deficit)		44,984	(9,998)	(9,998)	(9,998)	44,984	(9,998)	(9,998)	(9,998)	44,984	(9,998)	(9,998)	(9,995)	44,975	52,905	55,756
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		16,983				16,983				16,983			-	50,949	42,661	49,232
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													-	-	-	-
Transfers and subsidies - capital (in-kind - all)													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		61,967	(9,998)	(9,998)	(9,998)	61,967	(9,998)	(9,998)	(9,998)	61,967	(9,998)	(9,998)	(9,995)	95,924	95,566	104,988
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	61,967	(9,998)	(9,998)	(9,998)	61,967	(9,998)	(9,998)	(9,998)	61,967	(9,998)	(9,998)	(9,995)	95,924	95,566	104,988

Table 32 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue by Vote																
Vote 1 - CORPORATE													1	1	1	1
Vote 2 - MUNICIPAL MANAGER													6	6	6	7
Vote 3 - BUDGET & TREASURY OFFICE		44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	534,097	559,430	596,084
Vote 4 - COMMUNITY SERVICES		1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,489	17,874	18,946	20,083
Vote 5 - DEVELOPMENT PLANNING		14	14	14	14	14	14	14	14	14	14	14	14	162	172	182
Vote 6 - PUBLIC WORKS: CIVIL		3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	38,336	40,637	43,075
Vote 7 - PUBLIC WORKS: ELECTRICITY		3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	40,061	42,464	45,012
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Revenue by Vote		52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,551	630,537	661,657	704,444
Expenditure by Vote to be appropriated																
Vote 1 - CORPORATE		6,182	6,182	6,182	6,182	6,182	6,182	6,182	6,182	6,182	6,182	6,182	(3,818)	64,183	68,034	72,116
Vote 2 - MUNICIPAL MANAGER		2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	35,982	38,141	40,430
Vote 3 - BUDGET & TREASURY OFFICE		6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	83,323	87,723	92,387
Vote 4 - COMMUNITY SERVICES		6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,956	83,479	88,487	93,797
Vote 5 - DEVELOPMENT PLANNING		915	915	915	915	915	915	915	915	915	915	915	915	10,984	11,643	12,341
Vote 6 - PUBLIC WORKS: CIVIL		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	7,000	50,999	54,059	57,303
Vote 7 - PUBLIC WORKS: ELECTRICITY		16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	23,556	205,662	218,002	231,082
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Expenditure by Vote		44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,552	534,613	566,090	599,456
Surplus/(Deficit) before assoc.		7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	8,000	95,924	95,566	104,988
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	8,000	95,924	95,566	104,988

Table 33 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue - Functional																
<i>Governance and administration</i>		44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,514	534,104	559,437	596,091
Executive and council													6	6	6	7
Finance and administration		44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	44,508	534,098	559,431	596,085
Internal audit														-	-	-
<i>Community and public safety</i>		1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,489	17,874	18,946	20,083
Community and social services		1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,489	17,874	18,946	20,083
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,209	38,499	40,809	43,257
Planning and development		14	14	14	14	14	14	14	14	14	14	14	14	162	172	182
Road transport		3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	38,336	40,637	43,075
Environmental protection													-	-	-	-
<i>Trading services</i>		3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	40,061	42,464	45,012
Energy sources		3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	3,338	40,061	42,464	45,012
Water management													-	-	-	-
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>													-	-	-	-
Total Revenue - Functional		52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,544	52,550	630,537	661,657	704,444
Expenditure - Functional																
<i>Governance and administration</i>		16,124	16,124	16,124	16,124	16,124	16,124	16,124	16,124	16,124	16,124	16,124	6,124	183,488	193,898	204,932
Executive and council		2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999	35,982	38,141	40,430
Finance and administration		13,126	13,126	13,126	13,126	13,126	13,126	13,126	13,126	13,126	13,126	13,126	3,126	147,506	155,757	164,503
Internal audit													-	-	-	-
<i>Community and public safety</i>		6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,956	83,479	88,487	93,797
Community and social services		6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,957	6,956	83,479	88,487	93,797
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	7,915	61,983	65,702	69,644
Planning and development		915	915	915	915	915	915	915	915	915	915	915	915	10,984	11,643	12,341
Road transport		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	7,000	50,999	54,059	57,303
Environmental protection													-	-	-	-
<i>Trading services</i>		16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	23,556	205,662	218,002	231,082
Energy sources		16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	23,556	205,662	218,002	231,082
Water management													-	-	-	-
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>													-	-	-	-
Total Expenditure - Functional		44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,551	44,552	534,613	566,090	599,456
Surplus/(Deficit) before assoc.		7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,999	95,924	95,566	104,988
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,999	95,924	95,566	104,988

Table 34 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Multi-year expenditure to be appropriated	1															
Vote 1 - CORPORATE													-	-	-	-
Vote 2 - MUNICIPAL MANAGER													-	-	-	-
Vote 3 - BUDGET & TREASURY OFFICE													-	-	-	-
Vote 4 - COMMUNITY SERVICES													-	-	-	-
Vote 5 - DEVELOPMENT PLANNING													-	-	-	-
Vote 6 - PUBLIC WORKS: CIVIL													-	-	-	-
Vote 7 - PUBLIC WORKS: ELECTRICITY													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated																
Vote 1 - CORPORATE							50						50	100	-	-
Vote 2 - MUNICIPAL MANAGER						2,000	100						100	2,200	-	-
Vote 3 - BUDGET & TREASURY OFFICE							50						50	100	-	-
Vote 4 - COMMUNITY SERVICES							50						50	100	-	-
Vote 5 - DEVELOPMENT PLANNING													-	-	-	-
Vote 6 - PUBLIC WORKS: CIVIL		3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	37,049	37,661	39,632
Vote 7 - PUBLIC WORKS: ELECTRICITY		1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	14,100	5,000	9,600
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital single-year expenditure sub-total	2	4,262	4,262	4,262	4,262	6,262	4,512	4,262	4,262	4,262	4,262	4,262	4,512	53,649	42,661	49,232
Total Capital Expenditure	2	4,262	4,262	4,262	4,262	6,262	4,512	4,262	4,262	4,262	4,262	4,262	4,512	53,649	42,661	49,232

Table 35 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		-	-	-	-	2,000	150	-	-	-	-	-	150	2,300	-	-
Executive and council						2,000	50						50	2,100	-	-
Finance and administration							100						100	200	-	-
Internal audit													-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	50	-	-	-	-	-	50	100	-	-
Community and social services							50						50	100	-	-
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		3,087	3,087	3,087	3,087	3,087	3,137	3,087	3,087	3,087	3,087	3,087	3,137	37,149	37,661	39,632
Planning and development							50						50	100	-	-
Road transport		3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	3,087	37,049	37,661	39,632
Environmental protection													-	-	-	-
<i>Trading services</i>		1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	14,100	5,000	9,600
Energy sources		1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	14,100	5,000	9,600
Water management													-	-	-	-
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>													-	-	-	-
Total Capital Expenditure - Functional	2	4,262	4,262	4,262	4,262	6,262	4,512	4,262	4,262	4,262	4,262	4,262	4,512	53,649	42,661	49,232
Funded by:																
National Government		16,983					16,983			16,983			-	50,949	42,661	49,232
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		16,983	-	-	-	-	16,983	-	-	16,983	-	-	-	50,949	42,661	49,232
Public contributions & donations													-	-	-	-
Borrowing													-	-	-	-
Internally generated funds							350						2,350	2,700	-	-
Total Capital Funding		16,983	-	-	-	-	17,333	-	-	16,983	-	-	2,350	53,649	42,661	49,232

Table 36 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source													1		
Property rates	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	80,300	85,118	90,225
Service charges - electricity revenue	18,796	18,796	18,796	18,796	18,796	18,796	18,796	18,796	18,796	18,796	18,796	18,795	225,549	239,082	253,427
Service charges - water revenue												-			
Service charges - sanitation revenue												-			
Service charges - refuse revenue	623	623	623	623	623	623	623	623	623	623	623	623	7,475	7,923	8,399
Service charges - other												-			
Rental of facilities and equipment	20	20	20	20	20	20	20	20	20	20	20	20	239	253	268
Interest earned - external investments	48	48	48	48	48	48	48	48	48	48	48	48	577	611	648
Interest earned - outstanding debtors												-			
Dividends received												-			
Fines, penalties and forfeits	989	989	989	989	989	989	989	989	989	989	989	989	11,873	12,585	13,340
Licences and permits	283	283	283	283	283	283	283	283	283	283	283	283	3,396	3,600	3,816
Agency services												-			
Transfer receipts - operational	54,981					54,981			54,981			0	164,944	179,473	189,318
Other revenue	243	243	243	243	243	243	243	243	243	243	243	243	2,919	3,094	3,280
Cash Receipts by Source	82,675	27,694	27,694	27,694	27,694	82,675	27,694	27,694	82,675	27,694	27,694	27,693	497,271	531,740	562,721
Other Cash Flows by Source															
Transfer receipts - capital	16,983					16,983			16,983			-	50,949	42,661	49,232
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)												-			
Proceeds on disposal of PPE												-			
Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
Total Cash Receipts by Source	99,658	27,694	27,694	27,694	27,694	99,658	27,694	27,694	99,658	27,694	27,694	27,693	548,220	574,401	611,953
Cash Payments by Type															
Employee related costs	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	14,725	176,694	187,296	198,534
Remuneration of councillors	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,355	16,252	17,227	18,261
Finance charges	75	75	75	75	75	75	75	75	75	75	75	74	894	947	1,004
Bulk purchases - Electricity	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	13,698	164,376	174,238	184,692
Bulk purchases - Water & Sewer												-			
Other materials	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,874	22,521	23,873	25,305
Contracted services	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	31,800	33,708
Transfers and grants - other municipalities												-			
Transfers and grants - other												-			
Other expenditure	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	3,906	46,876	49,689	52,670
Cash Payments by Type	38,135	38,135	38,135	38,135	38,135	38,135	38,135	38,135	38,135	38,135	38,135	38,132	457,613	485,070	514,174
Other Cash Flows/Payments by Type															
Capital assets	4,304	4,304	4,304	4,304	4,304	4,304	4,304	4,304	4,304	4,304	4,304	6,304	53,649	42,661	49,232

2.9 Contracts having future budgetary implications

There is no information on contracts that have future budgetary implications.

2.10 Capital expenditure details

INEP PROJECTS 2018/19		
Project Name	Number of connections	Allocated Funds
Newlands	180	3 600 000
Bosch	120	2 400 000
Sikhonyane	120	2 400 000
Zwelisha	180	3 600 000
Shayamoya	100	2 000 000
Total		14 000 000

Table 37 MBRR SA35 - Future financial implications of the capital budget

KZN237 Inkosi Langalibalele - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Ref	2018/19 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Present value
Capital expenditure	1							
Vote 1 - CORPORATE		100	-	-				
Vote 2 - MUNICIPAL MANAGER		200	-	-				
Vote 3 - BUDGET & TREASURY OFFICE		100	-	-				
Vote 4 - COMMUNITY SERVICES		100	-	-				
Vote 5 - DEVELOPMENT PLANNING		-	-	-				
Vote 6 - PUBLIC WORKS: CIVIL		37 049	37 661	39 632				
Vote 7 - PUBLIC WORKS: ELECTRICITY		14 100	5 000	9 600				
Vote 8 - [NAME OF VOTE 8]		-	-	-				
Vote 9 - [NAME OF VOTE 9]		-	-	-				
Vote 10 - [NAME OF VOTE 10]		-	-	-				
Vote 11 - [NAME OF VOTE 11]		-	-	-				
Vote 12 - [NAME OF VOTE 12]		-	-	-				
Vote 13 - [NAME OF VOTE 13]		-	-	-				
Vote 14 - [NAME OF VOTE 14]		-	-	-				
Vote 15 - [NAME OF VOTE 15]		-	-	-				
List entity summary if applicable								
Total Capital Expenditure		51 649	42 661	49 232	-	-	-	-

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
 2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
 3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
 4. Audit Committee
An Audit Committee has been established but outsourced.
 5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2016 directly aligned and informed by the 2018/19 MTREF.
 6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
 7. MFMP Training
The MFMP training is currently underway and most senior management are partaking in this training.
 8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.
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2.12 Other supporting documents

Table 38 MBRR Table SA1 - Supporting detail to budgeted financial performance

KZN237 Inkosi Langalibalele - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates					119 529	119 529	119 529	119 529	126 700	134 302	142 360
less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)					24 835	24 835	24 835	24 835	26 325	27 905	29 579
Net Property Rates		-	-	-	94 693	94 693	94 693	94 693	100 375	106 398	112 781
Service charges - electricity revenue	6										
Total Service charges - electricity revenue					239 494	239 494	239 494	239 494	281 936	298 852	316 783
less Revenue Foregone (in excess of 50 kwh per indigent household per month)											
less Cost of Free Basis Services (50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue		-	-	-	239 494	239 494	239 494	239 494	281 936	298 852	316 783
Service charges - water revenue	6										
Total Service charges - water revenue											
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)											
less Cost of Free Basis Services (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue		-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	6										
Total Service charges - sanitation revenue											
less Revenue Foregone (in excess of free sanitation service to indigent households)											
less Cost of Free Basis Services (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-	-
Net Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	6										
Total refuse removal revenue					8 815	8 815	8 815	8 815	9 344	9 904	10 498
Total landfill revenue											
less Revenue Foregone (in excess of one removal a week to indigent households)											
less Cost of Free Basis Services (removed once a week to indigent households)		-	-	-	-	-	-	-	-	-	-
Net Service charges - refuse revenue		-	-	-	8 815	8 815	8 815	8 815	9 344	9 904	10 498
Other Revenue by source											
Admin for debtors, private work, admission fees					72	72	72	72	104	111	117
Agricultural leases, building plans, burial fees, clearance certificates					414	414	414	414	318	337	357
Connection fees, disconnection fees & reconnection fees					873	873	873	873	926	981	1 040
Income from ferrows, encroachment, fire brigade, insurance claims					148	148	148	148	176	186	198
Profit rechargeable works, repairs to installations					183	183	183	183	-	-	-
Sale of land, photocopies, plaques					56	56	56	56	-	-	-
Sectional title fees, sign display, skills levy					214	214	214	214	-	-	-
Sundry income					733	733	733	733	1 000	1 060	1 124
Trade licences					9	9	9	9	3	3	4
Lost books					9	9	9	9	-	-	-
Tender Documents									200	212	225
KZN Department of Transport	3								192	203	215
Total 'Other' Revenue	1	-	-	-	2 709	2 709	2 709	2 709	2 919	3 094	3 280

EXPENDITURE ITEMS:				2022	2021	2020	2019	2018	2017	2016	2015
Employee related costs											
Basic Salaries and Wages	2			88 882	118 882	118 882	118 882	133 687	141 709	150 211	
Pension and UIF Contributions				11 567	11 567	11 567	11 567	12 330	13 070	13 854	
Medical Aid Contributions				5 637	5 637	5 637	5 637	6 009	6 369	6 751	
Overtime				3 738	3 738	3 738	3 738	2 547	2 700	2 862	
Performance Bonus				7 085	7 085	7 085	7 085	7 448	7 895	8 368	
Motor Vehicle Allowance				4 380	4 380	4 380	4 380	4 669	4 949	5 246	
Cellphone Allowance				495	495	495	495	1 136	1 204	1 276	
Housing Allowances				479	479	479	479	511	542	574	
Other benefits and allowances				5 726	5 726	5 726	5 726	5 425	5 751	6 096	
Payments in lieu of leave				1 237	1 237	1 237	1 237	2 932	3 108	3 294	
Long service awards											
Post-retirement benefit obligations											
sub-total	4	-	-	-	129 226	159 226	159 226	159 226	176 694	187 296	198 534
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	-	-	-	129 226	159 226	159 226	159 226	176 694	187 296	198 534
Contributions recognised - capital											
<i>List contributions by contract</i>											
Total Contributions recognised - capital				-	-	-	-	-	-	-	-
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment				45 159	45 159	45 159	45 159	60 000	63 600	67 416	
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1	-	-	-	45 159	45 159	45 159	45 159	60 000	63 600	67 416
Bulk purchases											
Electricity Bulk Purchases				151 264	151 264	151 264	151 264	164 376	174 238	184 692	
Water Bulk Purchases											
Total bulk purchases	1	-	-	-	151 264	151 264	151 264	151 264	164 376	174 238	184 692
Transfers and grants											
Cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Non-cash transfers and grants		-	-	-	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Total transfers and grants	1	-	-	-	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Contracted services											
Security Services				30 000	40 728	40 728	40 728	40 000	42 400	44 944	
sub-total	1	-	-	-	30 000	40 728	40 728	40 728	40 000	42 400	44 944

Allocations to organs of state:											
Electricity											
Water											
Sanitation											
Other											
Total contracted services	-	-	-	30 000	40 728	40 728	40 728	40 000	42 400	44 944	
Other Expenditure By Type											
Collection costs				2 000	2 000	2 000	2 000				
Contributions to 'other' provisions				140	140	140	140				
Consultant fees				500	500	500	500				
Audit fees				4 179	4 179	4 179	4 179				
General expenses	3			34 540	22 431	22 431	22 431	46 876	49 689	52 670	
Skills levy				1 285	1 285	1 285	1 285				
Fuel and Oil				5 125	5 125	5 125	5 125				
Telephone and fax				3 352	3 352	3 352	3 352				
Internal Audit Fees				1 851	1 851	1 851	1 851				
Bank Charges				467	467	467	467				
Weenen Streetlights-Eskom				1 900	1 900	1 900	1 900				
EPWP Expenditure				5 133	5 133	5 133	5 133				
FMG Expenditure				3 600	3 600	3 600	3 600				
Ward Committee Training				957	957	957	957				
Insurance				2 218	2 218	2 218	2 218				
Valuation Roll Expenditure				366	366	366	366				
Levies				4 030	4 030	4 030	4 030				
Fire Engine				55	55	55	55				
Licences				78	78	78	78				
Prodiba Licence Cards				431	431	431	431				
Postal Services				296	296	296	296				
Printing and Stationery				508	508	508	508				
Refuse Bags and Uniforms				2 952	2 952	2 952	2 952				
Prepaid Electricity Expenses				690	690	690	690				
Rent/Hire of Office Equipment				4 090	4 090	4 090	4 090				
Rent/Hire of Plant & Vehicles				2 132	2 132	2 132	2 132				
Total 'Other' Expenditure	1	-	-	82 873	70 764	70 764	70 764	46 876	49 689	52 670	
Repairs and Maintenance	8										
Employee related costs											
Other materials				16 050	10 380	10 380	10 380	12 521	13 273	14 069	
Contracted Services											
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	-	-	16 050	10 380	10 380	10 380	12 521	13 273	14 069	

KZN237 Inkosi Langalibalele - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

[illegible]

Table 40 MBRR Table SA3 – Supporting detail to Statement of Financial Position

KZN237 Inkosi Langelibalele - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Call investment deposits											
Call deposits											
Other current investments											
Total Call investment deposits	2	-	-	-	-	-	-	-	-	-	-
Consumer debtors											
Consumer debtors					145 465	145 465	145 465	145 465	154 193	163 444	173 251
Less: Provision for debt impairment					(25 571)	(25 571)	(25 571)	(25 571)	(27 105)	(28 732)	(30 455)
Total Consumer debtors	2	-	-	-	119 894	119 894	119 894	119 894	127 088	134 713	142 796
Debt impairment provision											
Balance at the beginning of the year											
Contributions to the provision					25 571	25 571	25 571	25 571	27 105	28 732	30 455
Bad debts written off											
Balance at end of year		-	-	-	25 571	25 571	25 571	25 571	27 105	28 732	30 455
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)					1 284 440	1 284 440	1 284 440	1 284 440	1 361 506	1 443 197	1 529 789
Leases recognised as PPE	3										
Less: Accumulated depreciation					504 554	504 554	504 554	504 554	534 827	566 917	600 932
Total Property, plant and equipment (PPE)	2	-	-	-	779 886	779 886	779 886	779 886	826 679	876 280	928 857
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)					1 012	1 012	1 012	1 012	1 073	1 137	1 205
Current portion of long-term liabilities					2 703	2 703	2 703	2 703	2 865	3 037	3 219
Total Current liabilities - Borrowing		-	-	-	3 715	3 715	3 715	3 715	3 938	4 174	4 425
Trade and other payables											
Trade and other creditors					35 000	35 000	35 000	35 000	37 100	39 326	41 686
Unspent conditional transfers					1 250	1 250	1 250	1 250	1 325	1 405	1 489
VAT											
Total Trade and other payables	2	-	-	-	36 250	36 250	36 250	36 250	38 425	40 731	43 174
Non current liabilities - Borrowing											
Borrowing	4				7 473	7 473	7 473	7 473	7 921	8 397	8 900
Finance leases (including PPP asset element)					2 046	2 046	2 046	2 046	2 169	2 299	2 437
Total Non current liabilities - Borrowing		-	-	-	9 519	9 519	9 519	9 519	10 090	10 696	11 337
Provisions - non-current											
Retirement benefits											
List other major provision items											
Refuse landfill site rehabilitation					18 267	18 267	18 267	18 267	19 363	20 525	21 756
Other											
Total Provisions - non-current		-	-	-	18 267	18 267	18 267	18 267	19 363	20 525	21 756
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance					645 197	645 197	645 197	645 197	683 909	724 943	768 440
GRAP adjustments					199 000	199 000	199 000	199 000	199 000	199 000	199 000
Restated balance		-	-	-	844 197	844 197	844 197	844 197	882 909	923 943	967 440
Surplus/(Deficit)		-	-	-	91 583	72 850	72 850	72 850	95 924	95 566	104 988
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	-	-	-	935 780	917 047	917 047	917 047	978 832	1 019 510	1 072 428
Reserves											
Housing Development Fund					1 095	1 095	1 095	1 095	1 095	1 095	1 095
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	-	-	-	1 095	1 095	1 095	1 095	1 095	1 095	1 095
TOTAL COMMUNITY WEALTH/EQUITY	2	-	-	-	936 875	918 142	918 142	918 142	979 927	1 020 605	1 073 523

2.13 Municipal manager's quality certificate

I **P.S. Mkhize**, municipal manager of **Inkosi Langalibalele Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of **Inkosi Langalibalele Municipality (KZN237)**

Signature _____

Date _____

Print Name _____

Chief Financial Officer of **Inkosi Langalibalele Municipality (KZN237)**

Signature _____

Date _____
